Why Double Entry Bookkeeping Was Not Crucial,  
Nor Other Proffered Necessary Conditions  
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Sudipta Basu and Gregory Waymire wrote a paper in 2017 putting forward the invention of double entry bookkeeping as a crucial item in European enrichment. Here is the email I sent to Waymire:

Dear Greg,

I've looked superficially at your paper, and have grave doubts.

In *Bourgeois Dignity* and the rest I believe I showed that "diligence" is not what matters. Not at all. Everyone is diligent, or they starve. You're adopting a conventional and somewhat silly view that the bourgeoisie were especially diligent, when it is not true as fact and is anyway not the character of the bourgeoisie that mattered to the Great Enrichment (which by the way was a factor of 30 per capita in countries that fully adopted economic liberalism, not the factor of 10 you quote: look at the passage again, and read slower and longer). Weber sometimes got this right, sometimes wrong. But people tend to read him as saying that higher savings and more diligence, Ben Franklin style (and even Ben did not actually do it), is what made us rich.

One trouble which such a conventional argument is an economic one that Solow-type models (and Smith- and Marx- and Weber-type models) that reduce growth to savings and labor effort are radically mistaken. What matters is human creativity released from ancient trammels.

Another trouble is the historical fact that many other places had diligence and savings (and trade and slavery and science and any number of conventionally proffered causes). For example, savings rates in northern European agriculture in the Middle Ages were high, not low (as Rostow mistakenly believed), because yield to seed ratios were pathetically low. You had to put a quarter
of your wheat or barley crop back into the ground and let it sit there for the growing season, or you starved the next year. Literally starved, as people regularly did. Check out other places: China was diligent and saving and advanced technologically by the pathetic standard of Europe at the time.

What made us rich, I argue at no doubt tedious and unreadable length in the Bourgeois Era trilogy, is imagination, ingenuity, radical ideas released. They were released in turn by liberalism, Smith's "liberal plan of [social] equality, [economic] liberty, and legal [justice]."

I sympathize with your problem here. I myself had to give up over the past couple of decades—gradually, not without a struggle against my training and teaching—the idea what this or that marginal change in procedure made the modern world. The Bourgeois Era trilogy makes the point again and again. And, I flatter myself, it proves it—against diligence, saving rates, transportation improvements, empire, science, slavery, or DEB [by the way, never, ever introduce novel acronyms that the reader has to memorize; you would do well to study Economical Writing on this and some other points].

I realize you think that it suffices to establish the mere existence of an innovation that seems necessary, looked at from present routines. But the method is mistaken. For one thing, as a matter of logic a necessary $X$ does not imply a sufficient $X$. For another thing, you have not shown that your favored $X$ is quantitatively important. And for still another thing, the economic history does not support any of the usual $X$'s as necessary. As Alexander Gerschenkron long ago reminded us, economics, and therefore economic history, is about substitutes, not necessities, flexibilities, not fixed coefficients. Joint sufficiency is what we seek.

And the latest $X$ to be proposed might possibly have prevailed outside Europe. Are we quite sure, for example, that China or South Asia or whatever did not in effect have double entry? How do you know? If double entry is claimed to be a crux, you need to show it was unique
to Europe. And if you do so, you have then to explain why its heartland, Northern Italy and Barcelona, did not become the heartland of the Great Enrichment.

We can't rely on Eurocentric and elderly research by, say, Sombart, intelligent though he was. It would be not the first time that a condition claimed to be unique to Europe was shown by later research, as historical writing became more professional in, for example, Chinese studies, to be widespread. I give many such examples in detail in Bourgeois Dignity (which I believe you have not read with attention) and in the final volume, Bourgeois Equality (which I take it you have not seen).

And there is another problem with resting on accounting. I yield to no one in my admiration for accounting research. See for example my paper long ago with Arjo Klamer, “Accounting as the Master Metaphor of Economics,” European Accounting Review 1 (1, May, 1992): 145–160. But accounting, whatever its form, is an account of the past. In the passage where you quote me you quarrel with the point, but you are mistaken. Accounting does not reveal future opportunities. The opportunities come from human imagination. You need to read in Austrian economics, especially Israel Kirzner, to get the point perfectly clear. But it is not a difficult one. As both Nils Bohr and Yogi Berra put it, "It's difficult to predict. Especially about the future."

An historian can hardly disagree that a sound accounting of the past is valuable for getting into the future without disaster. One wishes that Trump and his friends appreciated such an ancient truth. But creativity remains the substance of the Great Enrichment, and neither accounting nor conventional models of economics have anything much to say about its radical release, 1800 to the present.

Sincerely,

Deirdre